

ANNUAL REPORT 1965

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Westfair Foods Ltd.

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Front Cover illustration symbolizes an important part of your Company's operation, as the largest wholesale dealer of fresh fruit and vegetables in Canada.

ANNUAL REPORT 1965



DIRECTORS: G. C. Metcalf, Chairman E. S. Cooper R. G. Skeoch G. R. Hunter, O.C.,
K. W. Campbell, C.A. E. P. Rathgeber R. T. Jepson M. D. Booty

OFFICERS: E. S. Cooper, President and General Manager

E. P. Rathgeber, Vice President – Operations

K. W. Campbell, C. A., Vice President – Finance

M. D. Booty, Vice President – Marketing

BANKERS: Canadian Imperial Bank of Commerce

TRANSFER AGENT: The Royal Trust Company

REGISTRAR: Bank of Montreal

AUDITORS: Thorne, Mulholland, Howson & McPherson

Front Cover illustration symbolizes an important part of your Company's operation, as the largest wholesale dealer of fresh fruit and vegetables in Canada.

REPORT TO SHAREHOLDERS

Continued steady increase in profit and sales is reflected in this, our 53rd Annual Report to Shareholders.

EARNINGS: Net income was $7\frac{1}{2}\%$ greater than in 1964, at \$2,150,216. Keen price competition regularly extends throughout food distribution channels in Western Canada. We are glad to acknowledge the fine support of both customers and suppliers, with whom good relations prevail. Undoubtedly, however, the greatest contribution was made by the imaginative and productive efforts of our key men and staff.

SALES: An increase in sales during 1965 of \$3,216,070 to over 191 millions resulted from emphasis on selectivity toward outlets during the year.

WORKING CAPITAL: During the year our working capital rose to \$15,035,556, despite net expenditure on new fixed assets of \$2,138,777. Our working capital ratio of approximately $2\frac{1}{2}$ to 1 is considered high in the food industry.



PHYSICAL GROWTH: Your Company experimented in three new forms of retail marketing during the past year. Modest success is encouraging but not conclusive. The west's first "jug milk stores" (Mini Mart) developed 22 corporate-owned outlets in the Winnipeg area by the year-end and 13 franchised outlets in Vancouver. A large corporate-owned food market in the Richmond sub-division of Vancouver, with a unique interior design and a new grocery pricing structure, was opened in the late fall. The first Consumers Warehouse Market in the west was opened in Portage la Prairie in September. This market is designed to serve those seeking limited service with accompanying minimum prices, offering a restricted line of dry groceries. A foundation was laid for further growth in the corporate retail field with the acquisition of several promising sites.

Development among our associated independent retail outlets in the three Prairie Provinces, assisted by your Company, increased sharply during the year, and this trend will continue during 1966. Competition from chains has hampered growth of the independent retailer in the west during

the last five years. It is encouraging to see a reversal of this trend and recognition of the integral part that the retailer has to play in the food marketing processes of Western Canada.

Your Company has carried on a modernization and improvement program in its wholesale warehouses over many years, which continued during 1965.

The grocery import buying division established in 1964 showed a substantial increase in activity and profitability during the past year.

Your Company has long been a user of I.B.M. unit card equipment in many of its wholesale branches. 1965 saw the installation of the Company's first Computer in Winnipeg.

OUTLOOK: The present buoyant feeling and favorable economic outlook for Western Canada gives reasonable encouragement for an improved sales and profit picture for 1966.

Submitted on behalf of the Board.

E. S. COOPER,
President.

**Westfair
Foods
Ltd.
and Subsidiary
Companies**

CONSOLIDATED BALANCE SHEET January 1, 1966 *(with comparative figures)*

	ASSETS	1965	1964
Current Assets			
Cash		\$ 3,184,807	3,297,747
Accounts receivable, less allowance for doubtful accounts		6,783,031	6,207,417
Inventory, at the lower of cost or market		14,981,822	13,096,434
Prepaid expenses		297,566	224,108
		<u>25,247,226</u>	<u>22,825,706</u>
Investments			
Secured loans and advances not due within one year.		2,295,298	2,469,069
Other investments, at cost		831,412	897,912
		<u>3,126,710</u>	<u>3,366,981</u>
Fixed Assets, at cost			
Land		3,845,282	3,238,060
Buildings		10,119,954	9,908,992
Equipment		12,787,322	11,579,766
		<u>26,752,558</u>	<u>24,726,818</u>
<i>Less Accumulated depreciation</i>		<u>10,481,160</u>	<u>9,505,863</u>
		<u>16,271,398</u>	<u>15,220,955</u>
<i>Signed on behalf of the Board.</i>			
E. S. COOPER, Director.	K. W. CAMPBELL, Director.	<u>\$44,645,334</u>	<u>41,413,642</u>

The accompanying notes

previous year)

LIABILITIES		1965	1964
Current Liabilities			
Accounts payable		\$ 9,281,292	7,558,912
Dividends payable		153,836	153,412
Income taxes payable		776,542	818,753
		<u>10,211,670</u>	<u>8,531,077</u>
Real estate carrying charge reserve (note 1)		<u>1,221,334</u>	<u>1,482,335</u>
Minority Interest		<u>—</u>	<u>32,313</u>
SHAREHOLDERS' EQUITY			
Capital Stock (note 2)			
<i>Authorized</i>			
175,000 preferred shares, par value \$20.00 each.			
150,000 Class A shares without par value.			
150,000 common shares without par value.			
<i>Issued</i>			
59,715 preferred shares (\$1.40 Series)		1,194,300	1,194,300
67,772 Class A shares		1,022,863	1,022,863
86,658 common shares			
		<u>2,217,163</u>	<u>2,217,163</u>
Retained Earnings			
Appropriated for general contingencies		1,039,578	1,039,578
Unappropriated		29,955,589	28,111,176
		<u>30,995,167</u>	<u>29,150,754</u>
		<u>33,212,330</u>	<u>31,367,917</u>
		<u>\$44,645,334</u>	<u>41,413,642</u>

re an integral part of this statement.

Westfair Foods Ltd. and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

Year ended January 1, 1966 <i>(with comparative figures for previous year)</i>	1965	1964
Sales	\$191,031,831	187,815,761
Net income from operations including the current year's amortization of the real estate carrying charge reserve and before the undernoted items	5,198,686	4,829,888
<i>Add</i> Profit on disposal of fixed assets and investments	60,424	67,439
	5,259,110	4,897,327
<i>Deduct</i>		
Depreciation	1,088,334	1,038,421
Directors' and executive officers' remuneration	181,000	162,500
	1,269,334	1,200,921
Income before undernoted taxes	3,989,776	3,696,406
Taxes on income (note 3)	1,839,560	1,669,100
	2,150,216	2,027,306
<i>Less</i> Minority interest in income	—	26,138
Net income for year	\$ 2,150,216	2,001,168

AUDITORS' REPORT

To the Shareholders of Westfair Foods Ltd.

We have examined the consolidated balance sheet of Westfair Foods Ltd. and subsidiary companies as at January 1, 1966, and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and

retained earnings present fairly the financial position of the company and its subsidiaries as at January 1, 1966, and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & MCPHERSON

Winnipeg, Canada,
February 3, 1966.

Chartered Accountants

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended January 1, 1966 <i>(with comparative figures for previous year)</i>	1965	1964
Retained earnings, unappropriated, at beginning of year	\$28,111,176	26,415,811
Net income for year	<u>2,150,216</u>	<u>2,001,168</u>
	<u>30,261,392</u>	<u>28,416,979</u>
Dividends		
Preferred shares	83,601	83,601
Class A shares	135,544	135,544
Common shares	<u>86,658</u>	<u>86,658</u>
	<u>305,803</u>	<u>305,803</u>
Retained earnings, unappropriated, at end of year	29,955,589	28,111,176
Retained earnings, appropriated for general contingencies, balance unchanged during year	<u>1,039,578</u>	<u>1,039,578</u>
Retained earnings at end of year	<u>\$30,995,167</u>	<u>29,150,754</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Aggregate rentals of the Company and its subsidiaries under long-term leases extending into the year 1991, amount to \$13,912,400, exclusive of taxes, insurance and other occupancy charges and rentals under leases expiring before 1971. The annual rentals under these leases in the next five years amount to \$878,700. The Company is contingently liable for an additional \$4,068,000 under long-term leases. The annual rentals under these leases in the next five years amount to \$345,900.

The real estate carrying charge reserve originating from the excess of the sale price over depreciated cost of properties sold in connection with certain of these leases, is being transferred to income on a basis which will amortize the reserve over the fifteen years following sale of the properties. In the current year, \$261,001 was charged to the reserve.

- The holders of the preferred shares (\$1.40 Series) are entitled to a dividend when and as declared of \$1.40 per share per annum on

a cumulative non-participating basis. The holders of the Class A shares are entitled to dividends when and as declared of \$2.00 per share per annum on a non-cumulative non-participating basis. No dividend shall be paid or set aside for payment on common shares in any fiscal year unless and until dividends at the rate of \$2.00 per share for such year shall have been paid or declared on the Class A shares. The preferred shares (\$1.40 Series) are non-redeemable.

- Taxes on income, as shown on the consolidated statement of income, are after a reduction of \$50,000 because of the companies' intention to claim for tax purposes depreciation to the extent of \$81,400 in excess of the amount provided in the accounts. The accumulated amount by which taxes otherwise payable have been so reduced is approximately \$1,618,800.
- The fiscal year ended January 1, 1966, contained 52 weeks, compared with a 53-week period for the previous fiscal year.

SOURCE AND APPLICATION OF FUNDS

Year ended January 1, 1966

Source of funds

From operations		
Net income for year	\$2,150,216	
Add Depreciation less real estate carrying charge		
reserve adjustment	<u>827,333</u>	2,977,549
Decrease in investments		<u>240,271</u>
		3,217,820

Application of funds

Increase in fixed assets, net	2,138,777	
Elimination of minority interest	32,313	
Dividends	<u>305,803</u>	2,476,893
Resulting increase in working capital		<u>\$ 740,927</u>

TEN YEAR STATISTICAL SUMMARY

	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
Working Capital	\$15,035,556	\$14,294,629	\$13,091,213	\$11,284,142	\$11,773,600	\$ 9,049,216	\$ 9,013,278	\$ 9,844,239	\$ 8,647,281	\$ 5,965,721
Total Assets	44,645,334	41,413,642	41,372,700	40,046,326	39,355,178	39,631,908	36,151,392	34,268,164	32,833,550	31,580,698
Shareholders' Equity	33,212,330	31,367,917	29,672,552	28,168,813	26,738,485	25,343,854	23,880,618	22,171,415	20,679,667	19,473,277
Net Profit After Tax	2,150,216	2,001,168	1,809,542	1,736,131	1,700,434	2,100,657	2,015,006	1,797,194	1,459,123	1,291,593
Depreciation	1,088,334	1,038,421	1,106,571	1,066,072	1,131,216	1,200,133	836,320	733,208	917,779	1,192,191



Westfair Foods Ltd.

HEAD OFFICE: WINNIPEG, MANITOBA

now *division* *Aug 22/71*
MAJOR CONSOLIDATED SUBSIDIARIES

de
Western Grocers ~~Ltd.~~, Winnipeg, Manitoba

W. H. Malkin ~~Ltd.~~, Vancouver, British Columbia

Dominion Fruit ~~Ltd.~~, Winnipeg, Manitoba

Gateway Food Factors ~~Ltd.~~, Winnipeg, Manitoba

Shop-Easy Stores ~~Ltd.~~, Winnipeg, Manitoba

The G. McLean Co. ~~Ltd.~~, Winnipeg, Manitoba

~~Chase Bros., Ltd., Vancouver, British Columbia~~

~~Pacific Coast Packers Ltd., Vancouver, British Columbia~~ } *forwarded*

Display Fixtures (~~Man.~~) ~~Ltd.~~, Winnipeg, Manitoba

Ensign Stores Ltd., Winnipeg, Manitoba